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REVIEW OF SENATE
SUBCOMMITTEE ON COMMUNICATIONS
OCTOBER 1973

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Joint Legislative Audit Committee

GOVERNMENT CODE: SECTIONS 10500-10504

California Legislature

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SIXTEENTH DISTRICT

November 8, 1973

PERSONAL AND CONFIDENTIAL

Honorable James R. Mills
Chairman, Senate Rules Committee
Room 5100, State Capitol
Sacramento, California 95814

Dear Jim:

Enclosed is the audit report which was requested by the Senate Rules Committee on the books and accounts of the Senate Subcommittee on Communications.

This matter has been kept confidential as far as our committee is concerned.

With my warm best wishes,

Sincerely,



VINCENT THOMAS, Chairman
Joint Legislative Audit
Committee

INTRODUCTION

In response to a request of the Senate Rules Committee, we have audited the books and accounts of the Senate Subcommittee on Communications. A statement of Source and Application of Funds of the subcommittee for the fiscal year ended June 30, 1973 is presented as Appendix A to this report.

In 1967, the California Legislature instituted a mailing program designed to facilitate communication between the senators and their constituents. The program was designed to inform and educate the people, and by the use of return questionnaires, to solicit information and ideas from the people regarding topics of current legislative interest.

The program is supervised by the Subcommittee on Communications of the Senate Rules Committee. The subcommittee staff assists the senators in the preparation of material and coordinates the production and mailing process.

The program utilizes two types of mailings: (1) district-wide, and (2) specialized mailings. District-wide mailings are sent to the household of every registered voter in the senator's district. This type mailing utilizes a combination of a newsletter, computer letter, and questionnaire. Specialized mailings are sent to professional or occupational groups, questionnaire respondents, or recent high school graduates. This type mailing utilizes a computer letter.

It is intended that no political use be made of the program and a member is prohibited from:

- Attacking his political opponents
- Discussing his coming election
- Mailing to only one political party or faction in his district.

The newsletter program budget, as stated in the rules, is as follows:

"1. Allotment - Members are entitled to have material prepared and mailed subject to these rules up to a total cost in any fiscal year of \$0.15 times the number of registered voters in the member's district as of the nearest Primary or General Election."

If a member expends more than his allotment in a fiscal year, that amount is deducted from the following year's allotment. If a member does not expend his allotment in a fiscal year, it is lost to him.

NEWSLETTER EXPENDITURES

As shown in Exhibit A, newsletter expenditures for fiscal year 1972-73 amounted to \$1,089,532, and as summarized from the records of the Senate Rules Committee are as follows:

Letter Preparation and Mailing	\$ 653,204
Postage	423,002
Data Processing	<u>13,326</u>
Total	<u>\$1,089,532</u>

Operating expenses and salaries of the Senate Subcommittee on Communications, amounting to \$36,416, are not charged to the newsletter program and do not apply against the member's newsletter allotment. See Appendix A for the complete expenditure of the subcommittee.

PRICE LIST

A price list was prepared by the subcommittee, dated February 23, 1972, and is used by the contractors as a guideline to charges for the various newsletter expenditures. Due to the inflationary period experienced by the U. S. economy, the list does not reflect current market conditions.

FINDING

Contractors are submitting an increasing number of invoices which do not adhere to the price list schedule. When these invoices are received, the subcommittee employees must prepare a contract amendment reflecting the increased prices and submit it to the Senate Rules Committee for approval prior to processing the invoices for payment. This procedure causes a delay in payment of the invoice as well as additional workload for all involved.

The Senate Rules Committee has not taken exception to any of the numerous contract amendments submitted.

RECOMMENDATION

We recommend that temporary procedures be instituted to allow the orderly processing of invoices as long as they are within a stated percentage of the price list.

The price list should be updated to reflect current market conditions as soon as possible.

POSTAGE

Postage is the second largest expenditure of the newsletter program amounting to \$423,002 or 39 percent of the total for fiscal year 1972-73.

A postage advance request is made 15 to 30 days prior to the time of each mailing. A check made payable to the Postmaster is sent to the contractor who prepares the newsletters for mailing.

The postage advance request is based on the estimated number of newsletters to be mailed, reduced by ten percent. The estimate is from the registered voters' listing, summarized by households. The contractor who prepares the newsletters for mailing and makes delivery to the post office is required to advance the additional postage, which is then billed to the subcommittee. This assures the subcommittee that only infrequently, when the household count is in error, will there be an overpayment of postage.

Accountability for postage is submitted to the subcommittee by the contractor in the form of weight slips prepared by the post office. This form indicates the number of newsletters mailed, the postage amount, and for which senator the newsletter was mailed.

FINDING

The subcommittee is in the process of obtaining approval from the U. S. Postal Service to allow the use of a revolving fund in the Sacramento Post Office for mailings made throughout the state. Accountability for postage would be the same, i.e., post office weight slips. We believe that this will allow the subcommittee staff more flexibility in mailing and will simplify postage advance requests.

An evaluation of the proposed change cannot be made until all details have been worked out between the U. S. Postal Service and the subcommittee, and policy and procedures are established.

RECORDKEEPING

Two sets of detail records are maintained for the newsletter program, one by the Senate Subcommittee on Communications and one by the Senate Rules Committee. The records are kept on a claims filed basis with no other expenses accrued at the end of the fiscal year.

FINDING

The two records do not agree and it is not possible to reconcile the two sets of records without a detailed time consuming analysis. The difficulty in reconciliation is caused by the lack of an agreed cutoff for posting against senator's allotments and the failure to code claim schedules to indicate the proper period of the charge. We are satisfied that the two sets of records are materially correct.

RECOMMENDATION

We recommend that procedures be established to insure that the two sets of records can easily be reconciled by coding the claim schedules submitted by the Senate Subcommittee on Communications to the Senate Rules Committee with the fiscal year the expenditure applies against.

We have examined the records and accounts of the Senate Subcommittee on Communications for the year ended June 30, 1973. Our examination was made in accordance with generally accepted auditing standards and accordingly, included such tests and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying source and application of funds statement (Exhibit A) presents fairly the source and use of funds of the Senate Subcommittee on Communications for the year ended June 30, 1973.



Walter J. Quinn
Chief Deputy Auditor General

October 25, 1973

Staff: John Finnstrom
Richard Porter
William Batt

Senate Subcommittee on Communications
Source and Application of Funds Statement
Fiscal Year Ended June 30, 1973

SOURCE OF FUNDS

Senate Contingent Fund	\$1,125,948
Total Source of Funds	<u>\$1,125,948</u>

APPLICATION OF FUNDS

Newsletter Expenses:

Letter Preparation and Mailing	\$653,204	
Postage	423,002	
Data Processing	<u>13,326</u>	\$1,089,532

Subcommittee Expenses:

Salaries	33,956	
Travel	1,795	
Office Supplies	147	
Postage and Freight	396	
Miscellaneous	<u>122</u>	<u>36,416</u>
Total Application of Funds		<u>\$1,125,948</u>